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BUSINESS CONDITIONS

Vol. 6 No. 3

March, 1933

	ALEXANDER HAMILTON INSTITUTE	BABSON STATISTICAL ORGANIZATION	BROOKMIRE ECONOMIC SERVICE	THOMAS GIBSON	SILVERMASTER
GENERAL OUTLOOK	If bank holiday speeds action of sound character similar to quick move to reduce Federal expenditures, banking collapse may prove to be final catastrophe of depression (Mar. 18).	We believe Administration will advance one powerful measure after another,—a cumulative attack which will break depression and force revival (Mar. 20).	Gradual lifting of financial tension will permit slow recovery in business; return to normal will require time—probably years (Mar. 13).	During stirring events of past two weeks, pessimism has been completely routed; we are now on eve of great upward movement (Mar. 17).	A take sum riod foll town 18).
MONEY AND CREDIT	New banking legislation has been soundly conceived; augury of return to better state of health than nation's banking system has known for many years (Mar. 13).	Banking crisis blessing in disguise; banking structure to be unified and strengthened; conditions now headed for soundness which otherwise might not have been attained for generation (Mar. 20).	Nation needs, not such dangerous experiment as currency depreciation, but return to sound public and private economy adjusted to existing rather than fictitious values (Mar. 20).	Banking crisis blessing rather than evil; situation promises to right itself in record time; before long bank deposits and credit will expand (Mar. 17).	E itse mai and dit pri 18).
SECURITY MARKETS	Under present circumstances, best policy is to defer taking greater interest in security market until initial flurries and uncertainties of resumption of trading are over (Mar. 16).	Distinctly better tone in prospect in stock market; banking crisis may well mark beginning of long upward movement in stocks (Mar. 20).	Believing that considerable time will yet elapse before there is any substantial recovery in business, we advise sale of large number of stocks at stated prices (Mar. 20).	We are now witnessing inauguration of great recovery movement; securities to hold and buy should be largely selected from medium and low grade senior securities and stocks (Mar. 17).	In to d prob chan in a oper liqu
PRODUCTION	No improvement to be expected in steel industry until labor disturbances which have caused shut-down of several large automobile plants have quieted and production resumed on seasonally expanding scale (Feb.).	Volume of automobile production very low; Ford output has undoubtedly been interrupted but continued activity essential to give cars to his dealers (Mar. 20).	Oil situation has shown further disorganization with overproduction continuing; sharp decline in coal production probable during coming months; other mining remains in doldrums (Feb. 28).	Highly probable that steel and automobile output, electrical power consumption and carloadings will record substantial gains during late March and early April (Mar. 17).	C redu with but ably 18).
DISTRIBUTION	Reduction of freight rates essential to recovery (Feb. 25).	Retail trade has dropped drastically during recent weeks but it will stage just as emphatic a snapback when tension is eased (Mar. 20).	January retail sales 24% below last year; current banking difficulties very adverse to sales volume (Feb. 28).	Rumored that present session of Congress will work out new program for railroads which will facilitate consolidations, eliminate recapture of earnings, reorganize I. C. C. (Mar. 17).	Ca road are cond
BUILDING	In January, building in New England States continued at unfavorable levels (Mar.).	Some localities have made progress in straightening out dilemma caused by high store rentals and low sales; elsewhere, further readjustment seems unavoidable (Feb. 27).	Present prospects point to continuance of low building volume for sometime ahead unless Government unleashes funds on large scale for construction of "relief" projects (Feb. 28).	Construction contracts awarded in 37 states in February \$52,712,300 as against \$83,356,000 in January of this year and \$89,045,800 last year (Mar. 17).	Pi eme not whic raw priv
AGRICULTURE	Abandonment of farm relief plans involving artificial increase in prices of farm products and restriction of plans to adjustment of taxes, mortgages and other debts essential to recovery (Feb. 25).	Upturns in prices of dairy products unlikely to be sustained; further strengthening ahead in grains; higher average prices for livestock anticipated (Mar. 20).	When Government announces its farm relief program, agricultural prices may respond fairly sharply for a time (Mar. 20).	Whether agricultural legislation proposed by President will prove practicable remains to be seen, but immediate effect upon farm prices will be favorable (Mar. 17).	A price prod per part pose 18).
COMMODITY PRICES	Some time must elapse before rise in price level occurs; such rise will be temporary; next long term upward trend of prices will not begin until 1953 (Mar. 4).	In our opinion, trend in wholesale prices is upward; some reaction, however, appears probable following this sharp upturn (Mar. 20).	Short covering and talk of higher prices have caused current speculative strength in commodities; similar recoveries in past soon terminated (Mar. 20).	Substantial and sustained rise in commodity prices in prospect, particularly in wheat, cotton, and corn (Mar. 17).	B that in se fied tic p
FOREIGN TRADE AND CONDITIONS	Rise of National Socialist party in Germany has tended to bring together Great Britain and France, and to knit more closely Little Entente (Mar. 18).	Significant that during crisis there were no official foreign quotations against dollar; clearly suggests there was no breach between international financiers and U. S. authorities (Mar. 20).	Injection of new fears into European picture has greatly impeded action at Disarmament Conference. France apparently not ready to pay us war debt instalment deferred last December (Mar. 20).	It appears that Germany, with Hitler pledged to support present constitution, will achieve lasting and strong government which will rehabilitate that country (Mar. 6).	G ent port of e cess tion
LABOR AND WAGES	Downward revision of those wages which have not undergone necessary deflation such as railroad wages and wages of government employees essential to recovery (Feb. 25).	Wage cut total in February 243, as against 289 in January; third wage cut for U. S. Steel Corporation workers is still ahead (Mar. 13).	January payrolls at new low for depression; employment slightly above last Summer's low; disparity due to wage cuts and adoption of part-time employment plan (Feb. 27).		R cial cent une low pub

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NS AND FORECASTS

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By M. RODGERS LINDSAY
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1933

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SILBERLING RESEARCH CORPORATION	CLEVELAND TRUST COMPANY	GUARANTY TRUST COMPANY	NATIONAL CITY BANK
<p>As further official steps are taken to balance Budget and resume gold payments, brief period of recession to be expected, followed by slower movement toward true reconstruction (Mar. 18).</p> <p>Emergency banking bill not in itself inflationary, but if we remain off effective gold standard and retain all new potential credit facilities plus normal ones, price upheaval possible (Mar. 18).</p> <p>Inflation sentiment, permitted to develop extravagantly during prolonged shut-down of exchanges, caused burst of buying in stocks when exchanges reopened, followed by signs of liquidation (Mar. 18).</p> <p>Crude oil production not yet reduced to full extent consistent with changed demand situation, but stocks thus far show reasonably satisfactory position (Mar. 18).</p> <p>Capital structure of our railroads seriously unbalanced; they are unable to meet competitive conditions (Mar. 4).</p> <p>Present situation calls for emergency help to unemployed, not doles to building industry which result in price boosting of raw materials to detriment of private initiative (Mar. 4).</p> <p>At least temporary erratic price movements in agricultural products probable if radical experiments permitted to become part of "farm relief" plans proposed by Administration (Mar. 18).</p> <p>By no means proven as yet that inflation is about to occur in sense of prolonged and magnified elevation of general domestic prices (Mar. 18).</p> <p>Grave national dangers inherent in continuation of gold export embargo; prompt removal of embargo prerequisite for success of major plans of international accord (Mar. 18).</p> <p>R. F. C. should abandon financial aid to institutions and concentrate on granting relief to unemployed through loans at low interest rate but not through public works (Mar. 4).</p>	<p>Courageous leadership is moving to reopen banks and to establish confidence; tasks of deliberately and thoroughly rebuilding our money and banking systems lie ahead (Mar. 15).</p> <p>Clearly we need more closely unified banking system; perhaps one in which Federal Reserve banks will become merely branches of one Central Bank of U. S. (Mar. 15).</p> <p>In former depressions banking troubles have come immediately on drop in speculative prices of securities, lands, goods; this time crisis came fourth year of depression (Mar. 15).</p> <p>Number of passenger automobiles registered in this country in 1932 almost two million less than in 1929 (Mar. 15).</p> <p>All plans for great projects of public works and for rebuilding blighted areas in cities by means of large loans from R. F. C. must clearly be abandoned because of costs (Mar. 15).</p> <p>New Congress will probably enter upon deliberate policy of imposing heavy taxes upon rest of country in order to pay subsidies to farmers (Mar. 15).</p> <p>Experiments in inflation to raise price levels may still be hazarded but all carefully elaborated plans considered in February must now be discarded or thoroughly revised (Mar. 15).</p> <p>We shall probably hear little in future from advocates of short work week (Mar. 15).</p>	<p>If Federal finances placed on sound basis and groundwork laid for international agreements on debt, trade barriers, currency stabilization, world-wide revival likely to follow quickly (Feb. 27).</p> <p>Congress, by balancing Budget, and definitely opposing drastic currency inflation, could do far more to foster recovery than any amount of public funds forced into credit channels (Feb. 27).</p> <p>In February bond market showed alternating periods of strength and weakness, with distinct downward movement for month as whole; average lowest since early August, 1932 (Feb. 27).</p> <p>Fluctuations in steel operations comparatively slight; for possible increase of demand, producers watching automobile industry, in which sales compare favorably with those year ago (Feb. 27).</p> <p>Railway freight movement showed decrease from December to January, for first time since 1921; but some improvement reported since beginning of February (Feb. 27).</p> <p>Construction contracts awarded in January practically equalled total for January, 1932; but parallel was not maintained during first half of February (Feb. 27).</p> <p>On Feb. 20, Mr. Hoover stated belief that domestic allotment plan would be unworkable and would do more harm than good to farming population (Feb. 27).</p> <p>Prices of basic commodities continued to recede during thirty days ended Feb. 15 at about same rate as during preceding monthly period (Feb. 27).</p> <p>Very slow progress still being made in England; German people seeking economic stability through political leadership; outcome of budget is business' chief concern in France (Feb. 27).</p> <p>In January, employment declined 3.9%, payrolls 5%; of 89 industries, only 13 reported increased employment and 14 increased payrolls (Feb. 27).</p>	<p>To balance Budget, to repudiate inflationary proposals, and to deal with intergovernmental debts, are measures that are essential to promote recovery (Mar.).</p> <p>Banking trouble caused by wartime rise in prices and wages, and inflation of credit; indebtedness based on these values was left without adequate support when decline came (Mar.).</p> <p>With confidence disturbed by banking developments, security markets have been under pressure, and business improvement has naturally been out of question (Mar.).</p> <p>Steel operations steady, around 19% of capacity. In textiles, Spring business developing slowly; trend has been toward curtailment, but mill operations better than year ago (Mar.).</p> <p>Retail sales continue below last year by about same percentage as in other recent months, and business in primary markets accordingly has continued dull (Mar.).</p> <p>Building contracts awarded during first twenty-one days of February were at low point of depression (Mar.).</p> <p>Livestock, butter and some of grains were higher at end of February than at end of January (Mar.).</p> <p>Commodity markets have made more encouraging showing with larger number of important staples firm or steady, including chief farm products (Mar.).</p> <p>Intergovernmental debts again disturbing international relationships and prolonging international currency disorder which is stifling trade and pulling down values in all countries (Mar.).</p>